



Vantage *point*

**MARKET OUTLOOK: CAUTIOUS
STRATEGY: FINANCIAL SECTOR**

After sparking fears of a potential trade war, Trump signed an executive order implementing tariffs on steel and aluminum, but with exemptions for Canada and Mexico. This opens up the possibility for more exemptions subject to NAFTA negotiations, which markets took this as a signal that a fullblown trade war is unlikely.

US economic data was also not as hot as feared, with non-farm payrolls above forecast but wage growth a bit below. This perfect score doused concerns over faster than expected rate hikes.

With the Nasdaq now at an all-time high and other US indices once again positive for the year, we expect global markets to ride on its coattails, including the Philippines.

However, we have to be wary of the weak peso's impact on stock prices and inflation. Note that even with the readjustment of the inflation base to 2012 prices, inflation is still at the top end of the BSP's target range. In dollar terms, our market is down 6.3% YTD as of last Friday. Since foreign funds book their returns in dollar terms, currency weakness prove to be a deterrent. This can be seen in our net foreign flows. We have seen PhP 19 billion in net foreign selling since the start of February, with all but one day seeing a net foreign selling balance.

Philippine Stock Exchange Index (PSEi) – 1 year chart



TRADING STRATEGY



With US markets recovering from fears of a trade war, we expect Asian markets to follow suit. With many stocks sitting at strong support levels, we will use this as an opportunity to start buying back.



[+632 689 8080](tel:+6326898080) ask@philequity.net www.philequity.net

Disclaimer: The information contained herein is the property of Philequity Management Inc. and may not be copied or distributed without the prior consent of Philequity Management, Inc. The information and views expressed herein is not warranted to be accurate, complete or timely and may change without prior notice. Neither Philequity nor its content provider is responsible for any damages and losses arising from any use of this information. Past performance is not a guarantee of future results. Investments in mutual funds are not guaranteed by the Philippine Deposit Insurance Corporation. Investing in mutual funds involves risk and possible losses of principal. Consult a professional before investing. For inquiries, please contact Philequity Management, Inc.